GOVERNMENT OF INDIA
STEEL
LOK SABHA

UNSTARRED QUESTION NO:3099
ANSWERED ON:20.03.2008
INFRASTRUCTURE FOR MAKING STEEL AND IRON
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Will the Minister of STEEL be pleased to state:

(a) whether India is importing steel on higher prices and exporting the iron ore at a low price;

(b) if so, the reasons therefor;

(c) whether the infrastructure in the country is not available for making steel and iron from the iron ore being produced in the country; and

(d) If so, the steps taken or being taken by the Government for better use of iron ore in the country?

Answer

MINISTER OF STATE IN THE MINISTRY OF STEEL (DR. AKHILESH DAS)

(a)&(b): India is neither importing steel at higher prices nor exporting iron ore at lower prices. Import price and export price of commodities like steel and iron ore depend primarily upon the demand and supply of such commodity in the international market and secondarily on freight charges and domestic taxes. The import duty on steel is low at 5% and during the period April-January 2008 the import of finished steel has shown a growth of 70% over the same period last year. In case of iron ore, long-term prices are negotiated and follow the international trend set by major exporting countries such as Australia, Brazil with leading consumers like China, Japan and S. Korea etc. The Indian export of iron ore is largely on spot basis, which are much higher than the contracted long-term prices.

(c)&(d): Out of the 181 million tonnes of iron ore produced in the country during the year 2006-07, 93.79 million tonnes has been exported and the balance available for domestic use (source: Indian Bureau of Mines). By the year 2011-12, the steel making capacity in the country is estimated to be 124.06 million tonnes. This level of production will require 198 million tonnes of iron ore. Moreover, steel making is a technologically sophisticated process and there are factors, other than the availability of iron ore, which determine setting up of a steel making capacity, such as huge investment, long gestation period and cyclical nature of the steel demand. In view of the fact that the domestic demand for steel has shown a faster growth than domestic production, the government has taken following steps to encourage expansion of existing steel capacities as well as setting up of new capacities:

An Inter-Ministerial Group has been constituted to monitor and coordinate the issues concerning major steel investments in the country related to infrastructure, raw material supply, environmental clearance and other resource constraints.

The Government has approved addition of 16 million tonnes of crude steel capacity in the 11th Plan by the public sector steel units namely SAIL and RINL.These units have planned for higher usage of iron ore fines through sinter and pellets in the blast furnaces in their programmes of modernization and expansion being undertaken by these units.

Similarly, some of the large-scale integrated producers in the private sector have also planned for more than 90% use of iron fines in their burden - through sintering and pelletization.